

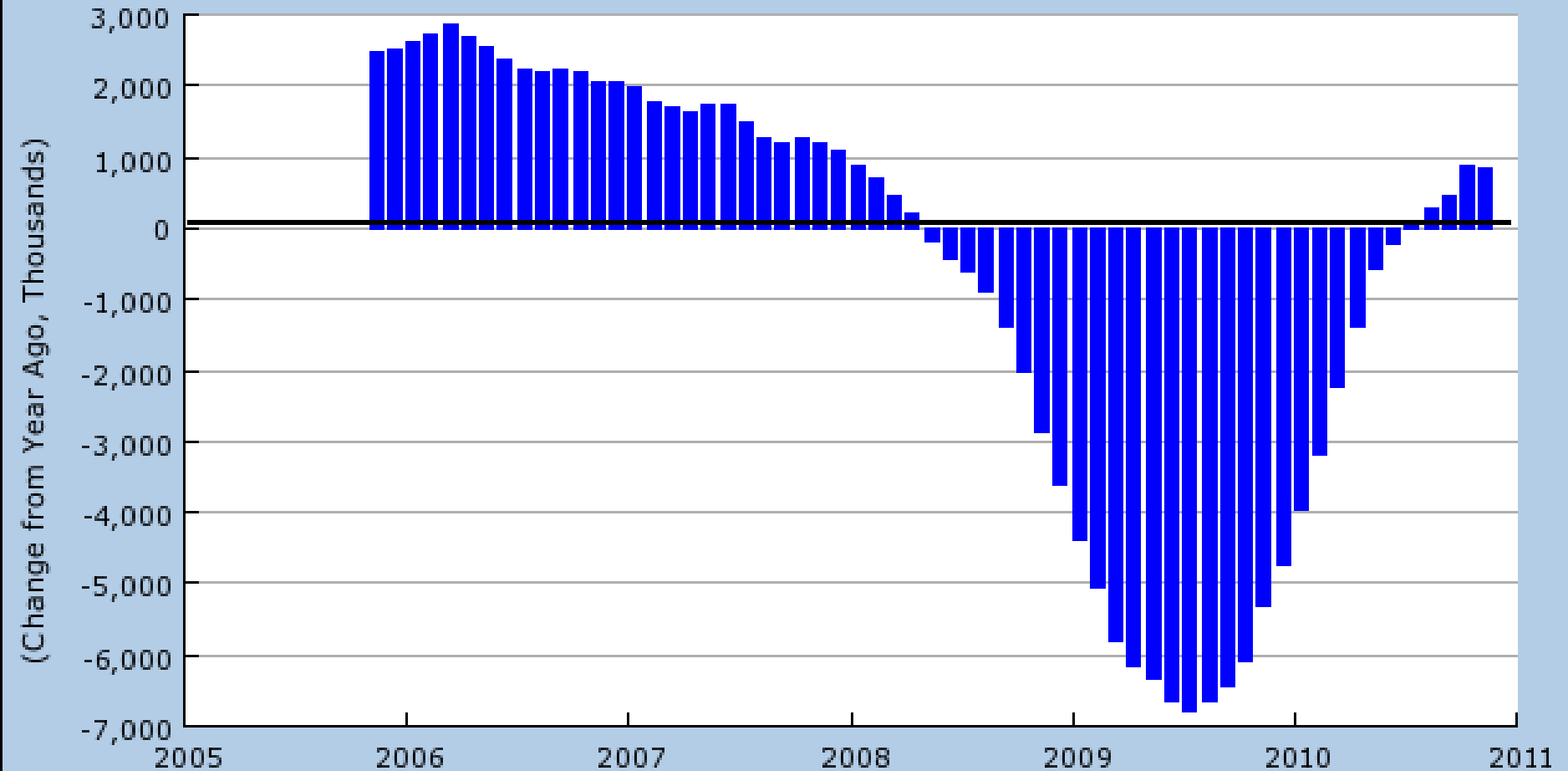


# **San Diego's 2011 Economic Outlook “iatrogenic policies”**

**Marney Cox  
Chief Economist  
SANDAG**

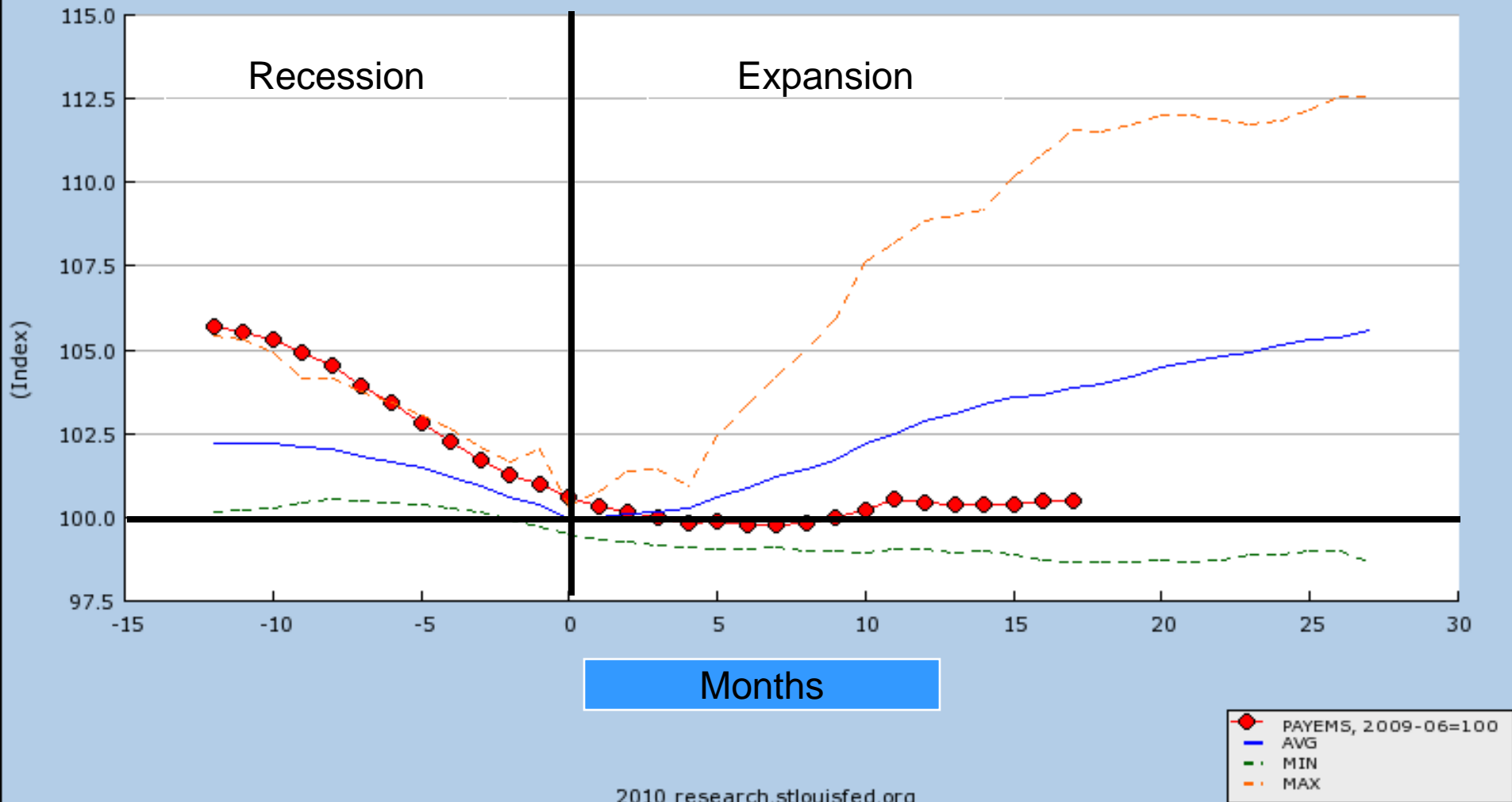
# US Payroll Jobs Y-O-Y Change

Total Nonfarm Payrolls: All Employees (PAYEMS)  
Source: U.S. Department of Labor: Bureau of Labor Statistics



# US Employment Change Since Expansion Began

Total Nonfarm Payrolls: All Employees (PAYEMS)  
Source: U.S. Department of Labor: Bureau of Labor Statistics



# Why Slow Job Growth?

Did Federal Stimulus Expenditures Generate Earnings?

- **Employment Multiplier is zero**
  - Job created is offset by a job lost.  
Government spending moves jobs & resources away from private to public
- **Employment Multiplier is one**
  - Each dollar spent adds one dollar to GDP.  
Government spends on idle resources.
- **Employment Multiplier exceeds one**
  - Earnings from newly employed resources create jobs for other idle resources.





# US \$787 Billion Stimulus Package

- **Targeted Stimulus (multiplier > 1) \$62B**
  - Tax incentives for homes and cars
  - Education layoff prevention
- **Discretionary Spending (multiplier << 1) \$428B**
  - Jobless benefits
  - Health care for needy
  - Medicaid costs
  - Job training
  - Affordable housing programs
- **Tax Incentives & Breaks (multiplier = 0) \$279B**
  - Renewable energy
  - Home energy efficiency
  - Faster depreciation for capital investments
  - Tax credits for workers



# Right Sizing Businesses

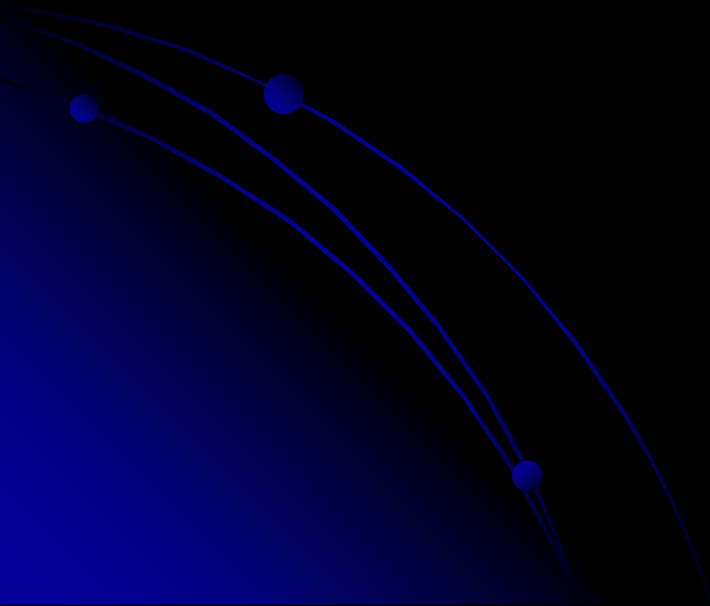
## Unintended **iatrogenic** Consequences

### Losers

- Creative Destruction
- Favors Small Businesses

### Winners

- Too Big To Fail
- Favors Big Businesses

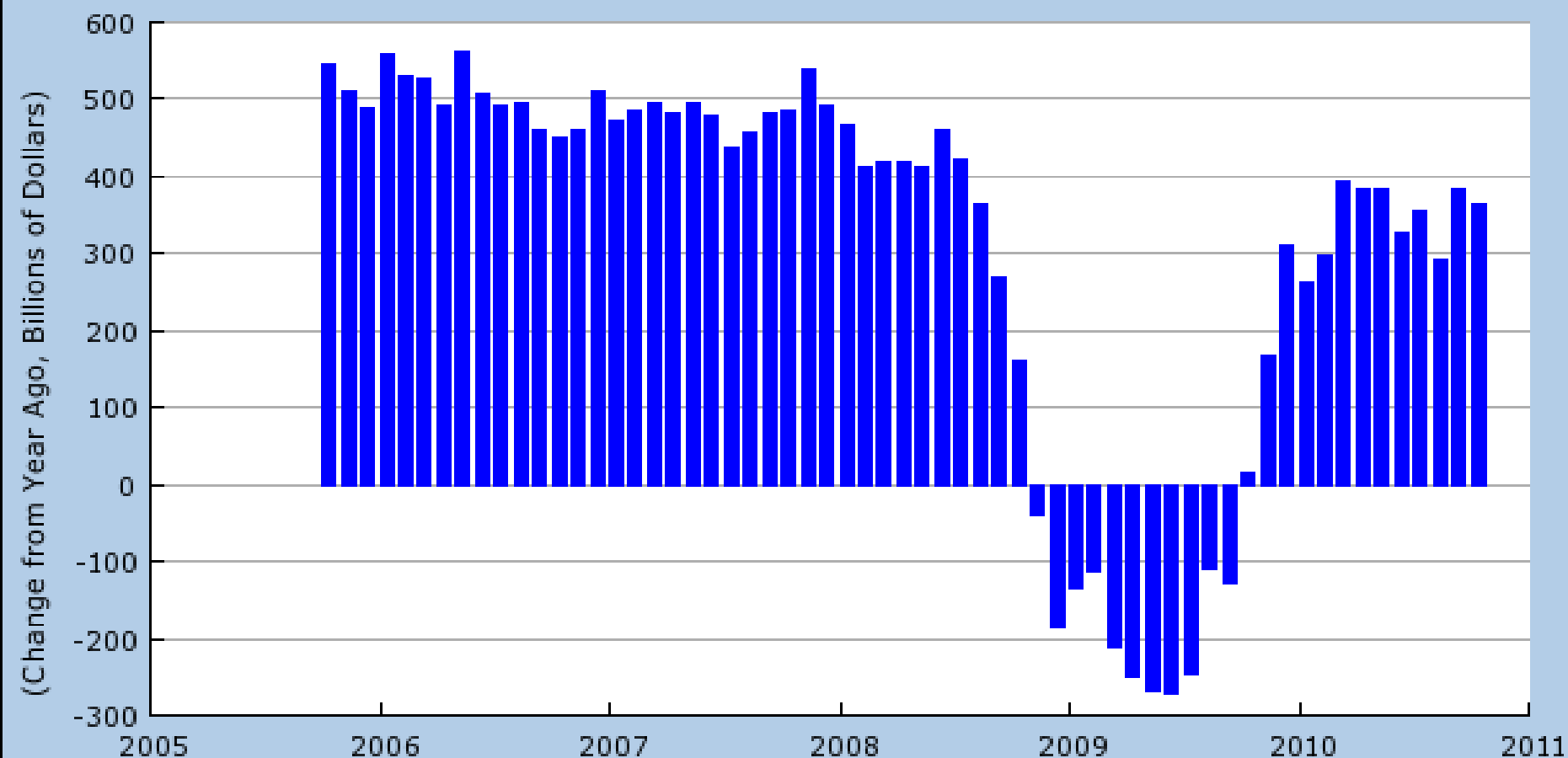


# US Consumption Expenditures

## Y-O-Y Change by Month

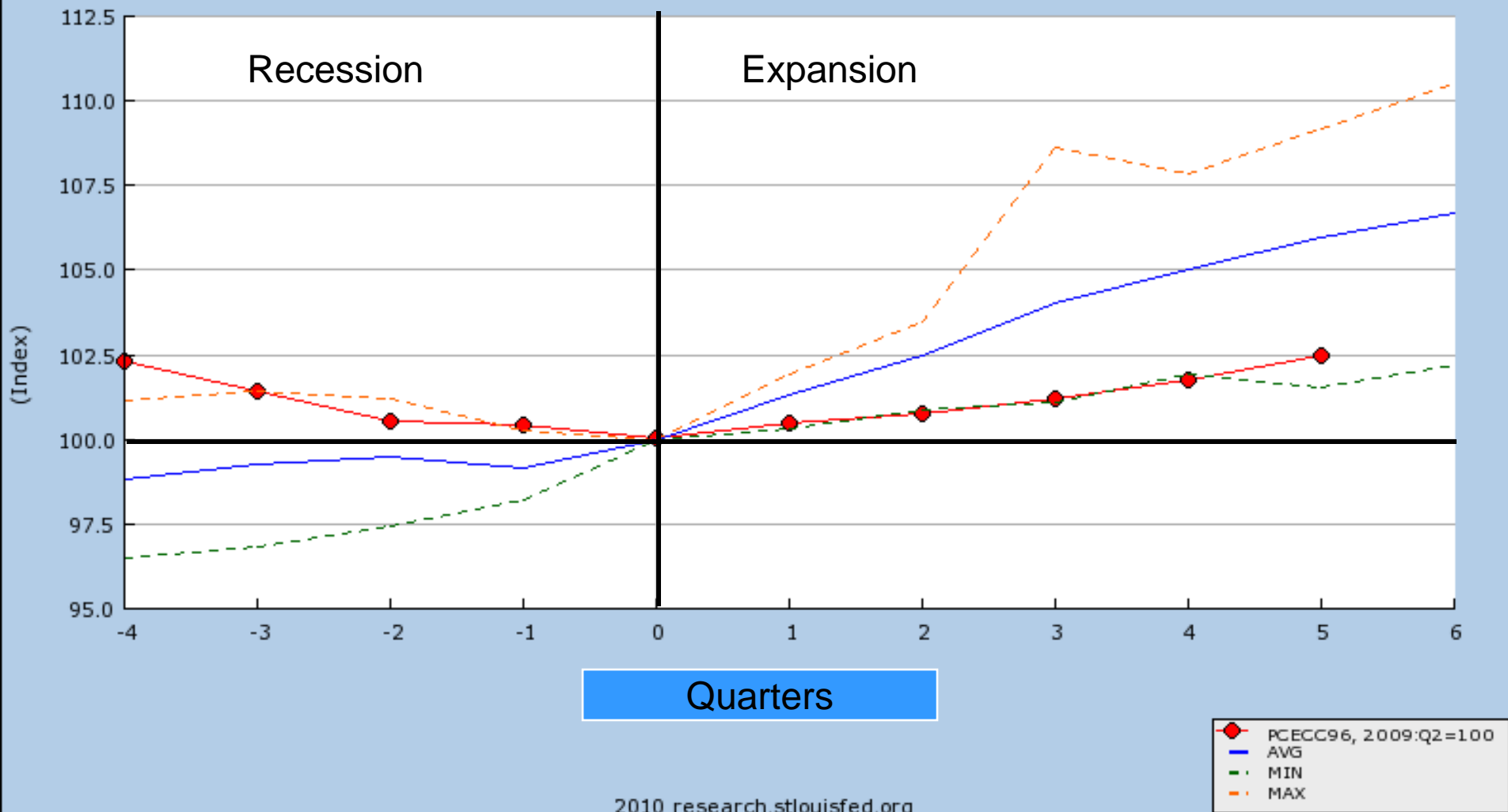
Personal Consumption Expenditures (PCE)

Source: U.S. Department of Commerce: Bureau of Economic Analysis



# US Consumer Consumption Change During Expansion

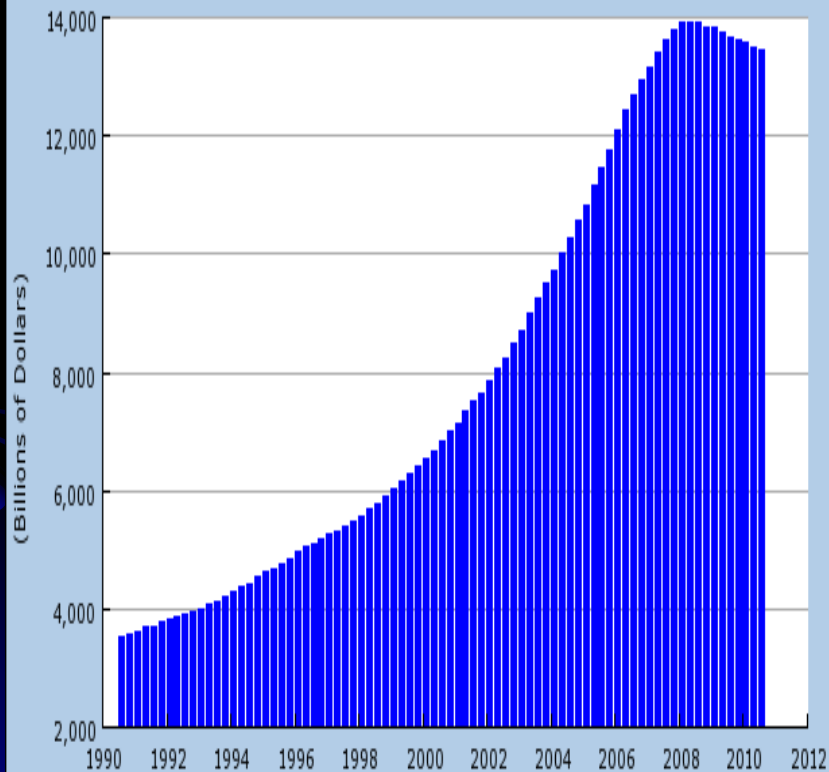
Real Personal Consumption Expenditures (PCECC96)  
Source: U.S. Department of Commerce: Bureau of Economic Analysis





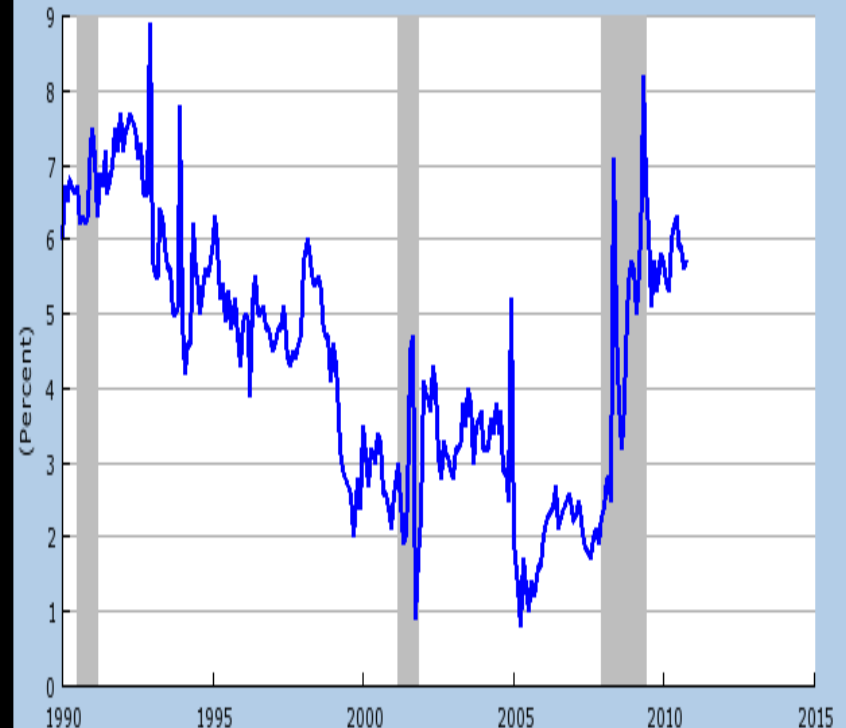
# US Why Slow Consumption Growth?

## Household Credit Debt Outstanding



2010 research.stlouisfed.org

## Personal Savings Rate

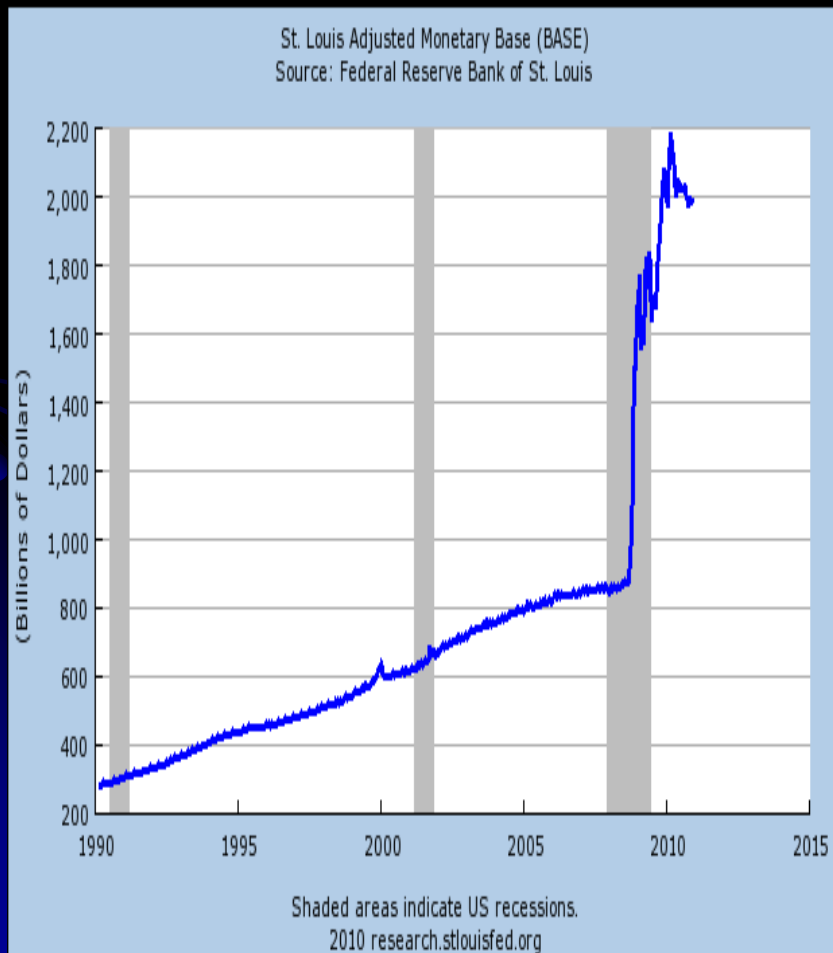


Shaded areas indicate US recessions.

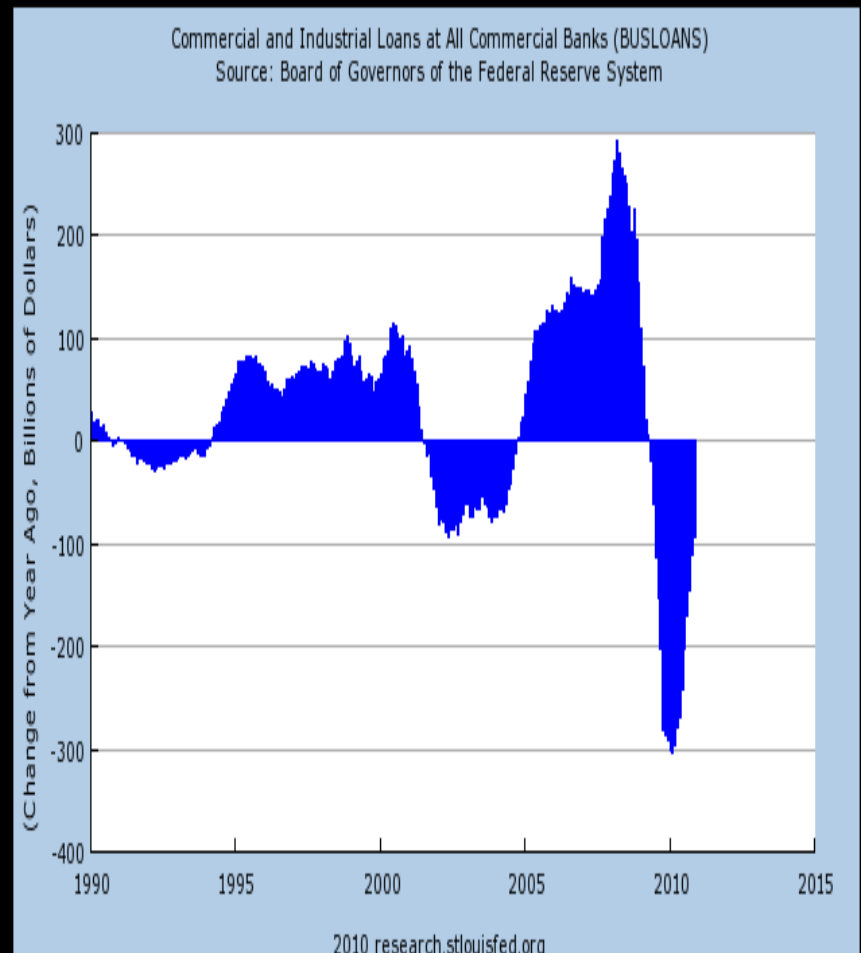
2010 research.stlouisfed.org

# US Endogenous Contributors to Slow Growth

## Monetary Base & Excess Reserves

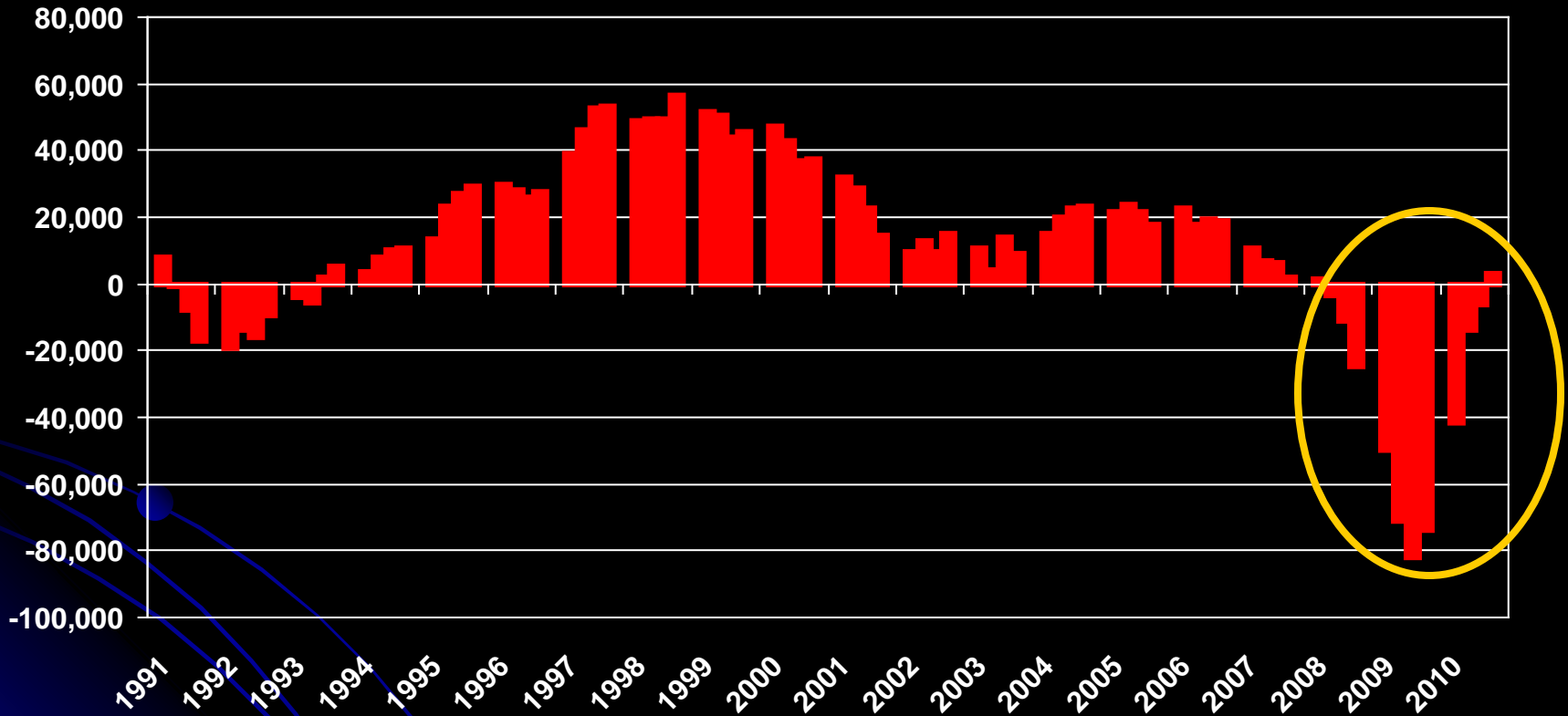


## Business Loans Y-O-Y Change



# SD Decline in Payroll Jobs

## Change Y-O-Y by Quarter



# SD Job Growth Following Recessions

Past and Present, Percent of Job Increase

- **1993 to 1994**

- Job increase 8,300

- Prof. Services 40%
- Government 30%
- W & R Trade 22%
- Health Services 25%
- Information 15%

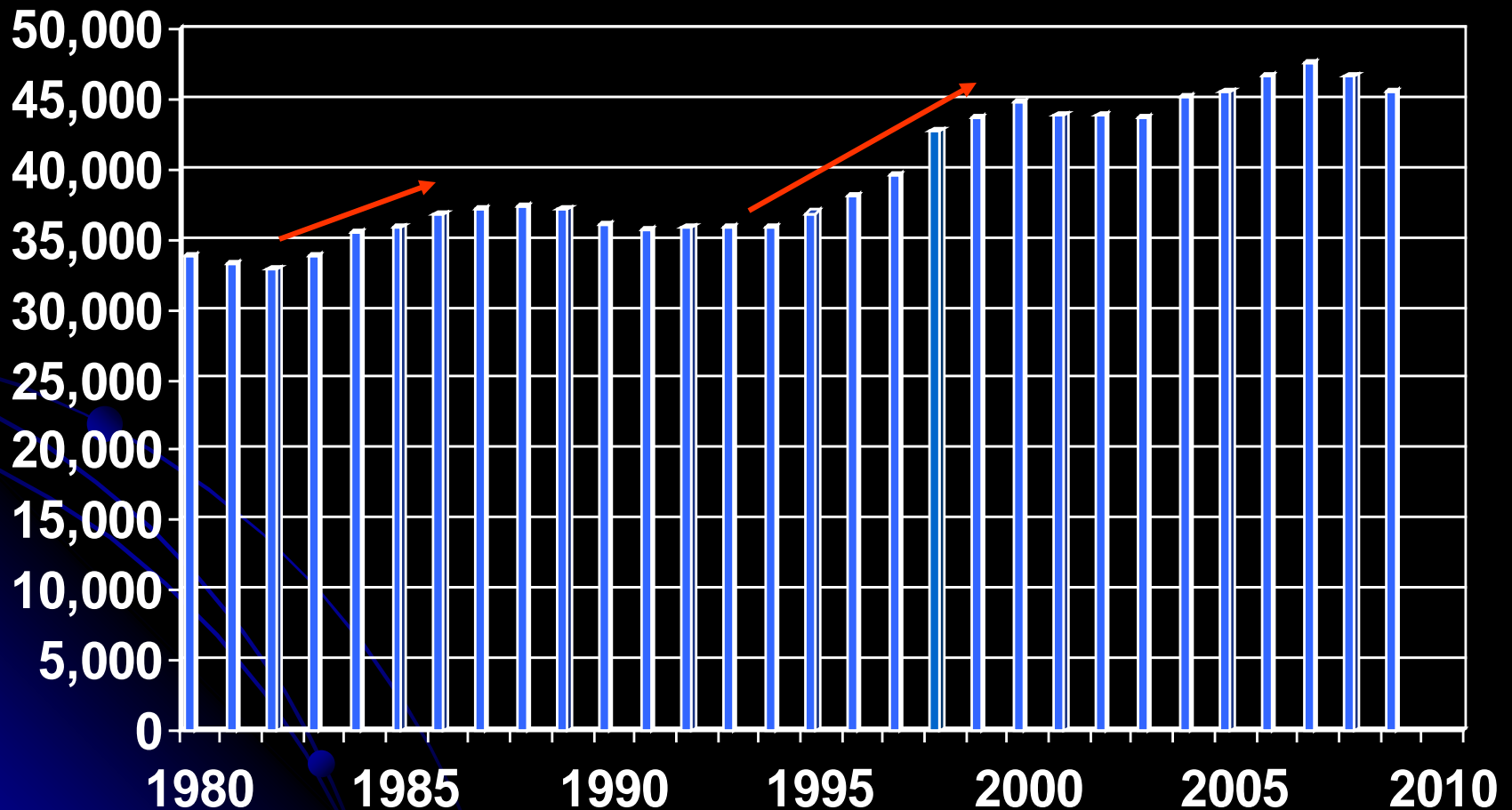
- **2009 to 2010**

- Job increase 6,000

- Prof Services 70%
- Government 0%
- W & R Trade 0%
- Health & Ed. 30%
- Leisure & Hosp. 15%

# SD Per Capita Income

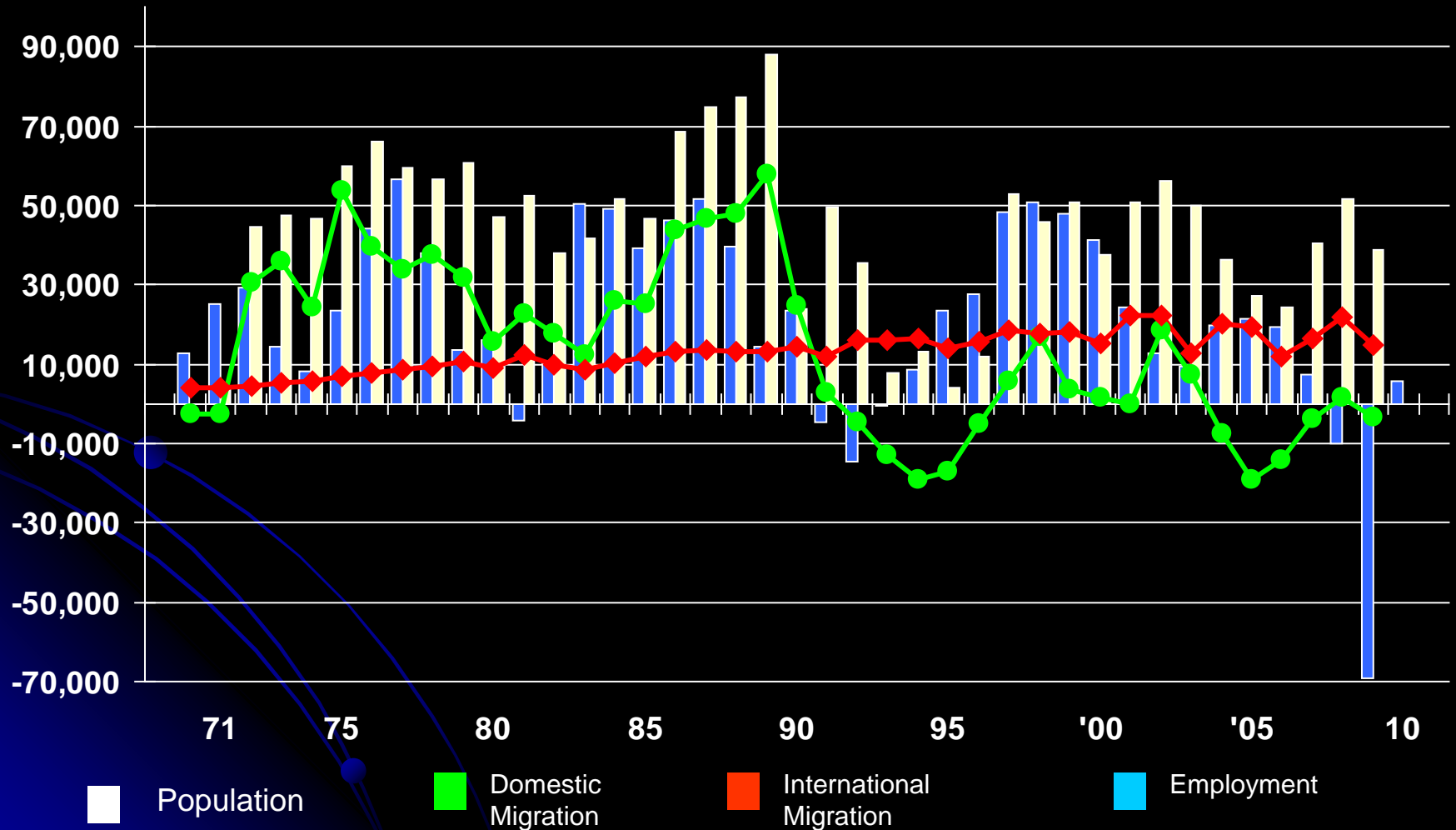
Real 2009\$, 1980 – 2009 (1% CAGR)





# SD Population Growth Slows

Annual Change Population, Dom & Intl Migration, Employment 1971-2008



# 2011 SD Outlook Summary

“Very Slow Growth”

- Is 3% GDP growth good enough?
- Slow Job Growth
- U-Rate moving down slowly
- Cautious Consumer
- Follow US out of Recession
- **Risks to Forecast**
- Rising Debt (QEII & Tax Cuts)
- Rising Interest Rates
- Inflation or Stagflation

